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UNCLAS SECTION 01 OF 05 SEOUL 001495

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E.O. 12958: N/A

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SUBJECT: SEOUL - PRESS BULLETIN; September 18, 2009

TOP HEADLINES

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Chosun Ilbo, Segye Ilbo, All TVs  
2 Trillion Won in Microcredit Planned for Low-income Households

JoongAng Ilbo  
11 Members of "Honor Society" Have "DNA for Donation"

Dong-a Ilbo  
67 Government-funded Projects See Costs Triple

Hankook Ilbo, Seoul Shinmun  
Finance Minister, Central Bank Governor Clash over Central Bank Reform

Hankyoreh Shinmun  
1.5 Trillion Won of Taxpayers' Money Spent to Make Up for Losses from Privately-funded Construction Projects

DOMESTIC DEVELOPMENTS

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Seoul and Washington are working out a new strategy toward North Korea in order not to repeat their past failures in negotiations with North Korea and to end the North's cycle of provocations, conciliatory gestures and stalling for time to win concessions. (Chosun)

INTERNATIONAL NEWS

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According to North Korea's Korean Central News Agency, Dai Bingguo, special envoy of Chinese President Hu Jintao, met in Pyongyang yesterday with the North's First Vice Foreign Minister Kang Sok-ju, and they had a "candid and in-depth exchange of views" on bilateral, regional and international issues. (Chosun, Dong-a, Hankook, Hankyoreh, Segye, Seoul, all TVs)

The U.S. Congressional Research Service, in its latest report, said that Washington may be able to provide six major economic incentives to North Korea in return for its denuclearization: normalize

bilateral ties, lift sanctions, sign a trade treaty, allow the North to join international financial institutions, provide energy and food aid, and offer preferential tariffs on goods produced at the Kaesong Industrial Complex. (JoongAng, Dong-a, Hankook, Hankyoreh, Segye, Seoul)

Japan's new Foreign Minister Katsuya Okada told a press conference yesterday that Japan will not negotiate with North Korea unless the North takes action to resolve the issue of abductees. (Chosun)

#### MEDIA ANALYSIS

-N. Korea

Conservative Chosun Ilbo ran an inside-page report entitled "Only 'Sticks,' Not 'Carrots,' Until N. Korea Dismantles Its Nuclear Program." It said that Seoul and Washington are working out a new strategy toward North Korea in order not to repeat their past failures in negotiations with North Korea and to end the North's cycle of provocations, conciliatory gestures and stalling for time to win concessions.

As support for this report, Chosun quoted Foreign Minister Yu Myung-hwan as telling lawmakers yesterday that even if talks with North Korea resume the U.S. will continue to implement UN Security Council sanctions against North Korea, unless the North takes tangible steps toward denuclearization. Another senior ROKG

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official was also quoted: "There will be no compensation until North Korea takes action to denuclearize."

Chosun editorialized: "The U.S. is saying that it will pursue bilateral talks with North Korea within the context of the Six-Party Talks. This means sharing the economic burden in providing incentives to North Korea. The time is approaching for Seoul to exercise high-level negotiating skills, given that the ROK has been almost solely responsible for such incentives while being ignored by the North."

Most ROK media gave attention to the U.S. Congressional Research Service (CRS)'s latest report, in which the CRS said that Washington may be able to provide six major economic incentives to North Korea in return for its denuclearization: normalize bilateral ties, lift sanctions, sign a trade treaty, allow the North to join international financial institutions, provide energy and food aid and preferential tariffs on goods produced at the Kaesong Industrial Complex.

Most media also gave coverage to yesterday's meeting in Pyongyang between Dai Bingguo, special envoy of Chinese President Hu Jintao, and North Korea's First Vice Foreign Minister Kang Sok-ju.

Conservative Chosun Ilbo observed that the Chinese State Councilor is in Pyongyang to prepare the schedule and agenda for Chinese Premier Wen Jiabao's visit to the country slated for Oct. 4-6 but that there is speculation that the North's nuclear program is also under discussion, given that the delegation also includes Chinese Chief Nuclear Negotiator Wu Dawei.

Conservative Dong-a Ilbo commented that it appears that China, by sending a high-level envoy to North Korea, intends to maintain its leadership role in the Six Party negotiations on denuclearizing the Korean Peninsula.

Left-leaning Hankyoreh Shinmun headlined its story: "China Scrambles to Mediate Behind the Scenes... It Seems to Have Persuaded N. Korea to Return to Six-Party Talks"

- President Obama's Missile Defense Decision

Most ROK media gave attention to President Barack Obama's decision

to scrap plans for a U.S. missile defense system in the Czech Republic and Poland.

Newspapers carried the following headlines: "U.S. Shelves Eastern Europe Missile Defense Program; Russia Welcomes It but Conservative Circles, the Czech Republic and Poland Protest" (conservative Chosun Ilbo); "Obama Seeks Improved Relations with Russia by Reversing a Bush Administration Policy" (right-of-center JoongAng Ilbo); and "U.S. Gives Up Eastern Europe MD Citing Reduced Iranian Missile Threats... Change Expected in U.S. Global Defense Strategy" (left-leaning Hankyoreh Shinmun.)

#### Opinions/Editorials

1N. Korea Should Not Get Anything Until It Denuclearizes  
(Chosun Ilbo, September 18, 2009, Page 39)

U.S. Secretary of State Hillary Clinton on Tuesday said she intends to explain to North Korea the incentives it can expect if it agrees to dismantle its nuclear program, as well as the consequences if it does not. In a recent report, the U.S. Congressional Research Service named as possible incentives the normalization of diplomatic relations, the lifting of sanctions, and energy and food aid. CRS said the World Bank or the Asian Development Bank could set up a special fund to support North Korea's economic transformation.

In previous negotiations with North Korea over nuclear dismantlement, the U.S. made written promises, including a pledge to

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respect the sovereignty of the regime, and offered incentives such as food aid and the construction of a light water reactor. Despite all that, North Korea conducted a second nuclear test in May and recently told the UN Security Council that it has reached the "final stage" of enriching uranium for weapons purposes.

These mistakes must not be repeated. The U.S. must not fall into North Korea's trap of slicing its nuclear dismantlement process into many different phases, demanding incentives for each stage. In past negotiations, North Korea lived up to only the first and second stages of its pledge by freezing and disabling the reactor in Yongbyon, and was lavishly rewarded each time. But it put up one excuse after another when it came to actually dismantling its nuclear program and later restarted the Yongbyon reactor. From now on, it must be given incentives only when it irreversibly dismantles its nuclear facilities.

The U.S. is saying that it will pursue bilateral talks with North Korea within the context of the Six-Party Talks. This means sharing the economic burden in providing incentives to North Korea. The time is approaching for Seoul to exercise high-level negotiating skills, given that the ROK has been almost solely responsible for such incentives while being ignored by the North.

(This is a translation provided by the newspaper, and it is identical to the Korean version.)

#### FEATURES

Only "Sticks," Not "Carrots," Until N. Korea Dismantles Its Nuclear Program  
(Chosun Ilbo, September 18, 2009, Page 6)

By Reporter Ahn Yong-hyun

Seoul and Washington are working out a new strategy toward North Korea in order not to repeat their past failures in the over 15-year negotiations with North Korea and to end the North's cycle of provocations, conciliatory gestures and stalling for time to win concessions.

The two allies are apparently determined to maintain sanctions against the North until it denuclearizes. They believe their mistake in the past has been to use a piecemeal approach to

negotiations that immediately rewarded the North for every small, reversible step.

Foreign Minister Yu Myung-hwan told the National Assembly's Foreign Affairs, Trade and Unification Committee on Thursday, "Even if talks with North Korea resume, the U.S. will continue to implement UN Security Council sanctions against North Korea, unless the North takes tangible steps toward denuclearization."

"This government too will maintain the existing policy of faithfully implementing sanctions against the North until it takes verifiable steps to end its nuclear program. At the same time, we'll keep the dialogue door open to persuade the North to return to the Six-Party Talks," he added.

A senior government official said, "There will be no compensation until North Korea takes action to denuclearize." In other words, if North Korea abandons its nuclear ambitions, it will be provided with massive aid, but the aid will come only after the "irreversible dismantlement of North Korea's nuclear programs." The official stressed that there will be no rewards for a "reversible behavior" or a simple "promise" to abandon nuclear programs.

All the signs are that Seoul and Washington are determined not to fall again for the North's cycle of provocations, conciliatory gestures and stalling for time to win concessions. As a senior government official has suggested, the ROK and the U.S. need "basic changes to the larger framework in their approach to the North Korean nuclear issue."

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North Korea has often avoided sanctions by agreeing to dialogue, slicing the denuclearization process into smaller stages, from "shutdown," via "disablement" to "dismantlement," and pulling out before the process is complete.

The senior ROKG official noted, "The 'comprehensive package' that President Lee Myung-bak proposed to U.S. President Obama this past June also came in the context of a fundamental change being needed in an approach toward North Korea. However, the ROKG is concerned that the term may be confused with the "package deal" from the previous Kim Dae-jung Administration, thereby giving an impression that North Korea is presented with a "bundle of gifts." Therefore, the ROKG is considering using different terms, such as an "irreversible deal."

In the September 19, 2005 Joint Statement, North Korea promised to disable all its existing nuclear facilities in return for energy aid equivalent to 1 million tons of heavy fuel oil. While adhering to the "action-for-action" principle, North Korea earned rewards whenever it switched off the outdated nuclear facilities at Yongbyon one by one. So far, the North has been provided with energy aid equivalent to 750,000 tons of heavy fuel aid. In June, 2008, after blowing up a cooling tower at Yongbyon, the nation was removed from the State Department's list of states that sponsor terrorism. However, while engaging in belligerent moves this year, Pyongyang retracted all its disablement steps at one stroke. The (North) Korean Central News Agency reported on September 4, "Reprocessing of spent fuel rods is at its final phase and extracted plutonium is being weaponized." An ROKG foreign policy official said, "Does it make sense to have negotiations under which our provision of heavy fuel oil is irreversible but North Korea's nuclear disablement steps are reversible at any time?"

A Blue House official said, "We won't engage in talks that might result in stage-by-stage agreements like the statement of principles in the fourth round of the Six-Party Talks in Sept. 19, 2005, or talks that might lead to an agreement on disablement that is reversible like the Feb. 13, 2007 deal."

Prof. Kim Sung-han of Korea University said Seoul and Washington would "conduct talks to launch a North Korean version of the Marshall Plan," the large-scale economic aid program for postwar Europe, "as well as security guarantees if the North goes directly to the stage of verifiable dismantlement and completely removes its

nuclear weapons, nuclear materials and nuclear facilities overseas."

In addition, Japan's Asahi Shimbun carried a noteworthy report quoting Six-Party Talks sources as saying that the ROK and U.S. governments are reviewing a plan to officially recognize the current North Korean regime led by Kim Jong-il in return for the North's nuclear dismantlement. The newspaper also reported that there is a possibility that the ROK and the U.S. governments may propose to replace the current armistice agreement with a peace treaty and provide massive economic assistance to Pyongyang.

The Congressional Research Service (CRS) has recently released a report on "North Korea: Economic Leverage and Policy Analysis," which spells out six incentives the U.S. could provide to the North.

The incentives include normalizing diplomatic ties, signing a trade treaty, lifting sanctions, allowing the North to join international financial institutions, providing energy and food aid and giving preferential treatment to goods produced at the Kaesong Industrial Complex. U.S. Secretary of State Hillary Clinton said on September 15 that when U.S.-North Korea bilateral talks take place, the U.S. will explain to North Korea the incentives it can get if it pursues denuclearization and the consequences if it doesn't.

[This is a translation provided by the newspaper. We have compared the English version on the website with the Korean version and added some paragraphs to make them identical.]

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TOKOLA